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The background features a series of nested triangles. The outermost triangle is a large, solid light blue shape. Inside it is a white triangle pointing downwards. Within that is a medium blue triangle pointing upwards. Inside that is another white triangle pointing downwards. The pattern repeats once more, with a small light blue triangle pointing upwards at the very bottom center.

**FRASER**  
**ANNUAL REPORT 1973**

MAR 27 1974

## IN THIS REPORT

	Page
Directors and Officers	1
Directors' Report	2-4
Consolidated Financial Statements	5-8
Notes to Consolidated Financial Statements	9-10
Auditors' Report	10
Ten Year Comparison	11
The Annual General Meeting	12

## DIRECTORS AND OFFICERS

### BOARD OF DIRECTORS

\*E. R. ALEXANDER  
RALPH B. BRENAN  
KENNETH V. COX  
\*H. ROY CRABTREE  
JOHN E. L. DUQUET  
\*A. A. FRANCK  
\*DAVID J. HENNIGAR  
\*C. R. RECOR  
FRANK H. SOBEY

### HONORARY DIRECTORS

AUBREY CRABTREE  
L. M. SHERWOOD

\*Member of Finance Committee  
E. R. Alexander—Chairman

### OFFICERS

H. ROY CRABTREE  
*Chairman of the Board*  
C. R. RECOR  
*President*  
RALPH B. BRENAN  
*Senior Vice President*  
J. K. BARRY  
*Vice President-Marketing*  
P. M. BELYEA  
*Vice President-Woodlands*  
R. B. FORBES  
*Vice President-Purchasing and Traffic*  
K. GROTTEROD  
*Vice President-Manufacturing*  
B. W. HICKS  
*Vice President and Secretary*  
M. B. ROBINSON  
*Vice President and Treasurer*  
R. V. OSBORN  
*Vice President-Corporate  
Fraser Paper, Limited*  
H. H. VALLETTE, JR.  
*Vice President-Marketing and Planning  
Fraser Paper, Limited*  
K. L. SEELY  
*Controller*  
H. P. HIERLIHY  
*Assistant Treasurer*  
D. G. McALARY  
*Assistant Controller*

## DIRECTORS' REPORT TO THE SHAREHOLDERS:

We submit herewith the Annual Report of your Company for 1973, together with the Consolidated Financial Statements for the year with comparable figures for 1972 and the report of your auditors.

1973 was a good year for your Company. The upward trend established in 1972 continued throughout the year. Your Company benefitted from the increased capacity installed through the major capital programmes of 1969 and 1970 which, coupled with a buoyant economy, enabled us to achieve record production of paper and paperboard which brought more equitable prices.

Net sales for the year reached a record high of \$111,913,000 which resulted in net income from operations of \$7,840,000 or \$3.35 per share, the highest in the history of your Company. Also in 1973 an extraordinary gain was recorded of \$5,916,000 equal to \$2.53 per share, resulting from the 1969 expropriation of our properties located in the Province of Quebec.

While the 1973 earnings from operations are gratifying, we realize that these earnings are only now approaching a more satisfactory return on invested capital and shareholders' equity.

In 1972 the net loss was \$751,000 or 32¢ per share on sales of \$90,926,000.

Total paper and paperboard shipments were a record high of 395,000 tons as compared to 352,000 tons in 1972. Pulp shipments were 20,000 tons for the year and lumber shipments totalled 50,000 M f.b.m.

Cash flow from operations was \$19,301,000 or \$8.25 per share.

During 1973 dividends were paid as follows: 15¢ on June 28; 20¢ on September 27; and 25¢ on December 27, or a total of 60¢. On February 22, 1974 a dividend of 30¢ was declared upon the Class "A" Convertible Common Shares and the Class "B" Convertible Common Shares.

On December 5, 1973 Special By-law MM was sanctioned by the shareholders and confirmed by Supplementary Letters Patent dated January 25, 1974, providing for a change in the authorized capital stock of the Company. (See Note 7 of the Consolidated Financial Statements). The purpose of this action was to give shareholders the privilege of electing to receive in the future either normal taxable dividends or tax-deferred dividends to be paid out of 1971 capital surplus on hand if beneficial for them to do so.

The funded debt was reduced during the year by \$810,000. Interim short-term debt of \$3,925,000 was incurred in connection with the new Plaster Rock sawmill construction project.

The net additions and improvements to plants and properties amounted to \$7,318,000. Over half of this amount was spent on the new Plaster Rock sawmill, which is to be partially financed by a grant to be received from the Department of Regional Economic Expansion. The new sawmill is now on line and when fully operational is expected to increase our lumber production to approximately 90,000 M f.b.m. annually.

A brochure describing this new facility accompanies this report.

Our efforts in pollution abatement are continuing and construction of primary treatment facilities has commenced at the Madawaska mills.

In 1974 it is anticipated that approximately \$8,500,000 will be spent on projects already in progress and on the normal capital programme. Studies are continuing on a number of projects to benefit the ecology and to enable us to utilize more fully the natural resources of the 2,900 square miles of timber limits controlled by your Company, of which 1,180 square miles are freehold woodlands.

The prospects for paper and paperboard continue bright. There is a softening in some segments of the lumber business. Costs of purchased supplies and services continue to increase. Deliveries are extended. The increase in the cost of fuel has been dramatic. Barring a complete breakdown in the economy, we feel that 1974, though difficult, should be a good year for your Company.

The Directors express their grateful appreciation to our customers, employees and suppliers for their continuing support and loyalty.

Submitted on behalf of the Board of Directors.

H. Roy Crabtree  
Chairman

C. R. Recor  
President

February 22, 1974.

# FRASER COMPANIES, LIMITED AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 1973	Year Ended December 31, 1972
Net sales	\$111,913,000	\$ 90,926,000
Cost of sales	86,890,000	80,676,000
Depreciation and depletion	6,321,000	6,233,000
Selling, general and administrative expense	4,787,000	4,450,000
	<u>97,998,000</u>	<u>91,359,000</u>
	<u>13,915,000</u>	<u>(433,000)</u>
Other income (expense):		
Interest income	814,000	59,000
Interest on long-term debt	(547,000)	(583,000)
U.S. exchange gain (loss)	26,000	(443,000)
Miscellaneous—net	56,000	(36,000)
	<u>349,000</u>	<u>(1,003,000)</u>
Income (loss) before taxes	<u>14,264,000</u>	<u>(1,436,000)</u>
Taxes on income	6,424,000	(685,000)
Net income (loss) from operations	<u>7,840,000</u>	<u>(751,000)</u>
Extraordinary item—Note 2	5,916,000	—
Net results for the year	<u>\$ 13,756,000</u>	<u>\$ (751,000)</u>
Earnings per common share:		
Net income (loss) from operations	\$3.35	\$(.32)
Extraordinary item	2.53	—
Total	<u>\$ 5.88</u>	<u>\$(.32)</u>

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Balance at beginning of year	\$ 61,664,000	\$ 62,648,000
Net results for the year	13,756,000	(751,000)
Dividends	75,420,000	61,897,000
Balance at end of year	1,403,000	233,000
	<u>\$ 74,017,000</u>	<u>\$ 61,664,000</u>

## CONSOLIDATED BALANCE SHEETS

	<u>December 31, 1973</u>	<u>December 31, 1972</u>
<b>ASSETS</b>		
CURRENT:		
Cash and short-term deposits	\$ 16,195,000	\$ 323,000
Accounts receivable	10,674,000	10,636,000
Income taxes recoverable	—	623,000
Inventories—Note 4	13,460,000	9,489,000
Prepaid insurance	269,000	156,000
TOTAL CURRENT ASSETS	<u>40,598,000</u>	<u>21,227,000</u>
ACCOUNT RECEIVABLE—May 1, 1975	996,000	—
DUE UNDER THE STOCK PURCHASE PLAN—Note 5	319,000	504,000
FIXED ASSETS—Note 6	74,221,000	73,336,000
	<u><u>\$116,134,000</u></u>	<u><u>\$ 95,067,000</u></u>

## LIABILITIES

### CURRENT:

	December 31, 1973	December 31, 1972
Bank indebtedness	\$ 3,925,000	\$ —
Accounts payable and accruals	11,867,000	8,736,000
Income taxes payable	2,293,000	—
Bonds due within one year	750,000	750,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>18,835,000</b>	<b>9,486,000</b>
FIRST MORTGAGE AND COLLATERAL TRUST BONDS:		
5½% Series due 1975/1987 (U.S. \$9,750,000)	10,529,000	11,339,000
DEFERRED TAXES ON INCOME	6,850,000	1,710,000
PAYMENTS ON ACCOUNT FOR EXPROPRIATION OF TIMBER LIMITS	—	5,087,000

## SHAREHOLDERS' EQUITY—Note 7

### Common Shares without nominal or par value:

Authorized—3,000,000 shares	5,903,000	5,781,000
Issued —2,340,652 shares	74,017,000	61,664,000
Retained earnings	79,920,000	67,445,000
	<b>\$116,134,000</b>	<b>\$ 95,067,000</b>

On behalf of the Board:

H. Roy Crabtree, Director

C. R. Recor, Director

## CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

	<u>Year Ended December 31, 1973</u>	<u>Year Ended December 31, 1972</u>
<b>SOURCE</b>		
Operations		
Net income (loss) from operations	\$ 7,840,000	\$ (751,000)
Depreciation and depletion	6,321,000	6,233,000
Deferred taxes on income	5,140,000	(717,000)
Cash flow from operations	<u>19,301,000</u>	<u>4,765,000</u>
Expropriation of properties by Quebec—net	(55,000)	2,500,000
Received from the stock purchase plan	307,000	402,000
	<u>\$ 19,553,000</u>	<u>\$ 7,667,000</u>
<b>APPLICATION</b>		
Net additions and improvements to plants and properties	\$ 7,318,000	\$ 1,848,000
Bonds redeemed	810,000	810,000
Dividends	1,403,000	233,000
Working capital increased	<u>9,531,000</u>	<u>2,891,000</u>
	<u>\$ 19,553,000</u>	<u>\$ 7,667,000</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. BASIS OF CONSOLIDATION

In consolidating the financial statements of Fraser Paper, Limited, which operated in the United States, U.S. dollars are expressed as an equal number of Canadian dollars.

## 2. EXTRAORDINARY ITEM

The extraordinary item consists of the amount realized in excess of the net book value for the timberlands, rights in timberlands and improvements located in the Province of Quebec which were expropriated in 1969, less applicable income taxes thereon of \$1,015,000.

## 3. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Aggregate remuneration to persons who served as Directors and Officers of Fraser Companies, Limited at any time during the year was as follows:

	Year Ended			
	December 31, 1973		December 31, 1972	
	12 Directors	15 Officers	15 Directors	16 Officers
	(3 Officers were also Directors)		(3 Officers were also Directors)	
Remuneration paid by: Fraser Companies, Limited Fraser Paper, Limited	\$ 31,000	\$226,000	\$ 43,000	\$256,000
	—	168,000	—	155,000
	<u>\$ 31,000</u>	<u>\$394,000</u>	<u>\$ 43,000</u>	<u>\$411,000</u>

## 4. INVENTORIES

Inventories are valued at cost or net realizable value, whichever is lower and consist of:

	December 31, 1973	December 31, 1972
Pulpwood and logs, including advances	\$ 3,995,000	\$ 1,918,000
Raw materials and supplies	6,405,000	4,930,000
Goods in process and finished products	3,060,000	2,641,000
	<u>\$ 13,460,000</u>	<u>\$ 9,489,000</u>

## 5. STOCK PURCHASE PLAN

Pursuant to the provisions of the stock purchase plan whereby shares may be issued for the account of certain employees at the discretion of the Board of Directors 5,850 Common Shares of the Company were issued to the Trustee during the year for a total consideration of \$122,034 (1972—500 shares for \$6,488). Payment for the shares issued under the plan is to be made by the said employees in instalments so that the aggregate purchase price will be paid within ten years. At December 31, 1973 the Trustee held 20,210 Common Shares as collateral for the unpaid balances remaining at that date.

## 6. FIXED ASSETS

	December 31, 1973	December 31, 1972
Plants and properties	\$169,326,000	\$162,763,000
Less: Accumulated depreciation	95,454,000	89,936,000
	<u>73,872,000</u>	<u>72,827,000</u>
Freehold and leasehold timber limits	7,941,000	10,945,000
Less: Accumulated depletion	7,592,000	10,436,000
	<u>349,000</u>	<u>509,000</u>
Net fixed assets	<u>\$ 74,221,000</u>	<u>\$ 73,336,000</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 7. SHAREHOLDERS' EQUITY

- (A) Special By-Law MM sanctioned by the shareholders on December 5, 1973 and confirmed by supplementary letters patent dated January 25, 1974 provides for:
- a) Reclassification of the 3,000,000 existing authorized shares into 3,000,000 Class "A" Convertible Common Shares without nominal or par value;
  - b) Increase of the authorized capital by the creation of:
    - i) 2,000,000 additional Class "A" Convertible Common Shares without nominal or par value; and
    - ii) 5,000,000 Class "B" Convertible Common Shares without nominal or par value.

(B) At December 31, 1973 the balance of retained earnings includes approximately \$38,000,000 "1971 capital surplus on hand". It is the intention of the Board of Directors, if, as and when dividends may be declared on the Class B Common Shares, to deem that such dividends be paid out of this 1971 capital surplus.

## AUDITORS' REPORT

**The Shareholders,  
Fraser Companies, Limited.**

We have examined the consolidated balance sheet of Fraser Companies, Limited and subsidiaries as at December 31, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the company and subsidiaries as at December 31, 1973 and the results of their operations and the source and application of funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Montreal, Que.  
February 8, 1974.

Touche Ross & Co.  
Chartered Accountants.

## TEN YEAR COMPARISON

FOR THE YEAR QUANTITIES SOLD	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Paper	363,144	322,771	195,049	221,278	241,734	212,306	203,243	215,313	202,956	185,928
Paperboard	31,625	29,118	28,154	27,505	27,998	24,053	24,407	24,369	22,298	21,158
Pulp	20,229	49,151	50,255	88,387	211,058	180,463	128,731	120,831	102,276	143,523
Lumber—M f.b.m.	49,774	57,153	52,507	39,016	33,033	20,616	27,435	26,781	30,337	31,343
(THOUSANDS OF DOLLARS)										
Net sales	\$111,913	\$ 90,926	\$ 62,639	\$ 73,730	\$ 91,327	\$ 76,568	\$ 70,681	\$ 72,412	\$ 66,586	\$ 64,844
U. S. exchange gain (loss)	26	(443)	311	1,410	3,733	3,133	2,889	3,083	2,931	3,071
Depreciation and depletion	6,321	6,233	5,211	3,755	5,798	5,854	5,462	6,555	4,992	4,893
Taxes on income	6,424	(685)	(5,648)	811	1,993	322	—	1,642	3,499	4,003
Net income (loss) from operations	7,840	(751)	(4,856)	2,614	4,403	1,161	127	3,680	5,811	5,238
Extraordinary items (net)	5,916	—	—	6,807	1,933	—	579	—	—	—
Net results for the year	13,756	(751)	(4,856)	9,421	6,336	1,161	706	3,680	5,811	5,238
Net additions to plants and properties	7,318	1,848	14,724	40,197	10,570	2,573	4,128	19,905	22,017	8,276
Bond debt at end of year	11,279	12,089	12,899	13,716	14,579	15,389	16,199	16,199	16,549	700
PER COMMON SHARE										
Net income (loss) from operations	0.35	(0.32)	(2.08)	1.12	1.90	0.50	0.06	1.65	2.61	2.35
Extraordinary items (net)	2.53	—	—	2.92	0.83	—	0.26	—	—	—
Net results for the year	5.88	(0.32)	(2.08)	4.04	2.73	0.50	0.32	1.65	2.61	2.35
Taxes on income	2.74	(0.29)	(2.42)	0.35	0.86	0.14	—	0.74	1.57	1.80
Dividends	0.60	0.10	0.15	0.90	0.65	0.10	0.60	1.40	1.40	1.40
Common shareholders' equity	34.14	28.89	29.31	31.56	28.45	26.41	26.44	26.73	26.47	25.26
Common shares outstanding at end of year	2,340,652	2,334,802	2,334,302	2,331,802	2,320,952	2,300,202	2,226,102	2,226,102	2,226,102	2,226,102

Note: Data applicable to Newcastle Mill, sold on January 22, 1970, is included in 1969 and prior years.

## STOCK TRANSFER AGENT AND REGISTRAR

Montreal Trust Company  
Montreal, P.Q., ~~Toronto~~, Ontario  
Vancouver, B.C., Saint John, N.B.

## STOCK LISTED

Montreal Stock Exchange  
Toronto Stock Exchange

## THE ANNUAL GENERAL MEETING

of the shareholders of Fraser Companies, Limited  
will be held at the general office of the Company at  
Edmundston, N.B., on Friday, the 19th day of April,  
1974, at the hour of ten o'clock in the forenoon,  
Atlantic Standard Time.

*These are the products Fraser produces from renewable natural resources managed with the ultimate consideration for the environment.*

#### FRASER LUMBER

*Mills:*  
Plaster Rock, New Brunswick  
W. H. Miller Company, Limited  
Kedgwick, New Brunswick  
(a wholly-owned subsidiary)

*Product:*  
Eastern Canadian Spruce

*End Use:*  
Residential and commercial buildings

*Market:*  
Eastern Canada and Eastern United States

*Sales Office:*  
Edmundston, New Brunswick E3V 1S9

#### FRASER PULP

*Mills:*  
Atholville and Edmundston,  
New Brunswick

*Products:*  
Bleached and unbleached softwood  
sulphite, and groundwood

*Market:*  
North America and overseas

*Sales Office:*  
Edmundston, New Brunswick E3V 1S9

1 Place Ville Marie  
Montreal, Quebec H3B 2C3

#### FRASER PAPERBOARD

*Mill:*  
Edmundston, New Brunswick

*Products:*  
Coated and uncoated folding boxboard

*End Uses:*  
Packaging for food, detergents,  
cigarettes, frozen foods, pharmaceuticals,  
pet foods, etc.

*Market:*  
Canada

*Sales Offices:*  
1 Place Ville Marie  
Montreal, Quebec H3B 2C3  
  
600 The East Mall,  
Islington, Ontario M9B 4B1

#### FRASER PAPER

*Mills:*  
Fraser Paper, Limited  
Madawaska, Maine  
(a wholly-owned subsidiary)

*Bond Papers:*  
Five paper machines and one  
off-machine blade coater

*Groundwood Printing Papers:*  
Three paper machines and one  
off-machine blade coater

*End Uses:*  
Papers for converting specialties,  
commercial printing,  
coated and uncoated publications,  
directories and catalogues

*Market:*  
United States

*Sales Offices:*  
2 Greenwich Plaza  
Greenwich, Conn. 06830

2300 East Devon Avenue  
Des Plaines, Illinois 60018



*Fraser Companies, Limited  
Edmundston, N.B.*

*MAR 23 1973*

**NOTICE OF SPECIAL GENERAL AND  
ANNUAL GENERAL MEETINGS OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that a Special General Meeting of shareholders of Fraser Companies, Limited will be held at the general office of the Company in Edmundston, New Brunswick, Canada, on Friday, the 13th day of April, 1973, at the hour of ten o'clock in the forenoon, Atlantic Standard Time, for the following purposes, that is to say:

To consider, and if deemed fit, to sanction Special By-law JJ of the By-laws of the Company, the purpose of which is to provide for an increase in the number of common shares available under the Stock Purchase Plan of the Company from 110,000 to 200,000 shares;

To consider, and if deemed fit, to sanction Special By-law KK of the By-laws of the Company, the purpose of which is to provide that the financial year of the Company shall end on the 31st day of December in each year; and

To consider, and if deemed fit, to sanction Special By-law LL of the By-laws of the Company, decreasing the number of Directors of the Company from twelve (12) to nine (9).

AND NOTICE IS HEREBY FURTHER GIVEN that the said Meeting shall be constituted and continued as the Annual General Meeting of shareholders of the Company for the following purposes, that is to say:

To receive and consider the annual report of the directors, the financial statements of the Company and the auditors' report for the fiscal year ended December 31, 1972;

To elect directors for the ensuing year;

To appoint auditors and to fix or to authorize the Board of Directors to fix their remuneration; and

To transact such other business as may properly come before the said Meeting.

If you are unable to attend in person, will you please date, complete, sign and return the enclosed instrument of proxy in the envelope provided for that purpose.

By Order of the Board of Directors,

B. W. HICKS,  
*Vice-President and Secretary.*

March 5, 1973.

# **INFORMATION CIRCULAR**

**(dated as of March 5, 1973)**

This Information Circular is furnished in connection with the solicitation of proxies for use at the Special and Annual General Meetings of shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, Edmundston, New Brunswick, Canada, on Friday, April 13th, 1973, and at any adjournment thereof. In the event that you are unable to attend the meetings personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Company in time for use at the meetings. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

## **Right of Revocation**

A shareholder giving an instrument of proxy may revoke the same by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company, Plaster Rock, New Brunswick, or the general office of the Company, Edmundston, New Brunswick, at any time up to and including the last business day preceding the day of the meetings, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meetings on the day of the meetings, or adjournment thereof.

## **Solicitation of Proxies**

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

## **Voting Shares and Principal Holders Thereof**

There are outstanding 2,334,902 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of Common Shares will be entitled to vote at the meetings and at any adjournment thereof if present or represented by proxy thereat.

Genstar Investment Limited (and its affiliates), The Harold Crabtree Foundation and Scotia Investments Limited (and its affiliates) are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Genstar Investment Limited (and its affiliates) holds 302,305 Common Shares, The Harold Crabtree Foundation holds 290,000 Common Shares and Scotia Investments Limited (and its affiliates) holds 241,340 Common Shares, representing 12.95%, 12.42% and 10.34% respectively of the outstanding Common Shares.

## **Sanction of Special By-laws**

The purpose of Special By-law JJ is to provide for an increase in the number of common shares available under the Stock Purchase Plan of the Company from 110,000 to 200,000 shares. Special By-law JJ was enacted by the Board of Directors of the Company on the 22nd day of August, 1972, and is to be submitted to the Special General Meeting for sanction by the shareholders.

The purpose of Special By-law KK is to provide that the financial year of the Company shall end on the 31st day of December in each year. Special By-law KK was enacted by the Board of Directors of the Company on the 8th day of December, 1972, and is to be submitted to the Special General Meeting for sanction by the shareholders.

The purpose of Special By-law LL is to decrease the number of directors of the Company from twelve (12) to nine (9). Special By-law LL was enacted by the Board of Directors of the Company on the 20th day of February, 1973, and is to be submitted to the Special General Meeting for sanction by the shareholders.

## **Election of Directors**

The By-laws of the Company provide that the Board of Directors of the Company shall consist of twelve (12) directors to be elected annually and, upon the sanction of Special By-Law LL, the Board of Directors shall consist of nine (9) directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death, removal or other cause.

The following persons are proposed to be nominated for election as directors of the Company:

Nominees for Directors and Principal Occupation	Period of Service as Director	Approximate Number of Equity Shares of the Company Beneficially Owned, Directly and Indirectly
E. R. Alexander, Chairman of the Finance Committee of the Company; Vice-Chairman of the Board of Gaz Métropolitain Inc. (Natural Gas Company).	1960 to date	1,000 Common Shares
Ralph B. Brenan, Senior Vice-President of the Company, Member of the Executive Committee of the Company; Chairman of the Board of G. E. Barbour Co. Ltd. (Manufacturer and Distributor of Food Products).	1954 to date	12,000 Common Shares
Kenneth V. Cox, President of The New Brunswick Telephone Company, Limited (Public Utility).	1969 to date	200 Common Shares
H. Roy Crabtree, <sup>(1)</sup> Chairman of the Board of the Company, Chairman of the Executive Committee of the Company, Member of the Finance Committee of the Company, Trustee of the Stock Purchase Plan of the Company; Chairman and President of Wabasso Limited (Manufacturer of Textiles).	1956 to date	111,625 Common Shares
John E. L. Duquet, Q.C., Senior Partner of Duquet, MacKay, Weldon, Bronstetter & Johnstone (Advocates, Barristers and Solicitors).	1963 to date	100 Common Shares
A. A. Franck, Member of the Executive Committee of the Company, Member of the Finance Committee of the Company; President of Genstar Limited (A diversified and multi-industrial product company in Canada and the United States).	1966 to date	1 Common Share
David J. Hennigar, Atlantic Regional Director of Burns Bros. and Denton Limited (Investment Dealers).	1969 to date	200 Common Shares
C. R. Recor, President of the Company, Member of the Executive Committee of the Company, Member of the Finance Committee of the Company.	1972 to date	4,310 Common Shares
Frank H. Sobey, Member of the Executive Committee of the Company; Chairman of Sobey Stores Limited (Retailer of Food Products).	1963 to date	165,034 Common Shares

(1) Mr. Crabtree's "associates" own 311,529 Common Shares, of which Wabasso Limited and The Harold Crabtree Foundation own 21,104 Common Shares and 290,000 Common Shares respectively.

## Remuneration of Directors and Officers

The following information as to the aggregate direct remuneration paid during the last completed financial year of the Company ended December 31, 1972, to the directors and officers of the Company, and to such officers by Fraser Paper, Limited, a subsidiary of the Company;

Aggregate direct remuneration paid by the Company:

To the directors as such .....	\$ 43,271
To the officers as such .....	\$250,287
Aggregate direct remuneration paid by Fraser Paper, Limited to such officers as such .....	\$145,434
Estimated aggregate cost to the Company and its Subsidiaries of all pension benefits .....	\$ 18,265
Aggregate amount of all remuneration payments other than payments reported above, proposed to be made in the future by the Company and its Subsidiaries pursuant to existing arrangements ....	\$ 15,628

No director, officer, proposed nominee for election as a director or associate of any of the foregoing is or has been indebted to the Company or its Subsidiaries at any time since the beginning of the last completed financial year of the Company. Under the Stock Purchase Plan of Fraser Companies, Limited dated as of July 2nd, 1968, the Company provided moneys to trustees with which to purchase Common Shares of the Company which are held for the benefit of certain employees of the Company upon the exercise of their rights. The aggregate amount owing by such employees to the trustees as at the date of this Information Circular, was \$596,099.32 of which approximately \$434,775.81 was owing by employees who were directors and/or officers of the Company.

The following information as to the grant of rights to purchase Common Shares of the Company and the exercise thereof is given for the period since the commencement of the last completed financial year of the Company ended December 31, 1972, with respect to the directors and officers of the Company as a group.

Date of Grant (1)	Date of Exercise (1)	Number of Common Shares	Purchase Price per Share	Price Range (2) High	Low
May 19, 1972		250	\$11.70	14½	13
	June 16, 1972	250	\$11.70	13¾	12¾
August 22, 1972		250	\$14.25	16¼	13¼
	September 1, 1972	250	\$14.25	16¼	13
December 8, 1972		1,200	\$15.00	16¾	14¾
December 8, 1972		100	\$15.00	16¾	14¾
	January 5, 1973	100	\$15.00	17	16

(1) The rights to purchase were granted and where applicable exercised pursuant to the Company's Stock Purchase Plan dated as of July 2nd, 1968.

(2) Price Range of Common Shares on Montreal Stock Exchange for thirty days preceding the date of grant or date of purchase.

## Appointment of Auditors

Messrs. Touche Ross & Co. are the auditors of the Company and have held such position for a period in excess of the preceding five years. It is proposed by the management of the Company that such firm be reappointed the auditors of the Company.

## Designation of Proxy

The persons named in the enclosed instrument of proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

## Voting of Shares Represented by Management Proxy

The shares represented by the instrument of proxy will be voted or withheld from voting, as the case may be, on any ballot that may be called for and, where the shareholder specifies a choice with respect to any matter for which a choice is provided, such shares shall be voted or withheld from voting in accordance with the specifications so made. Where a choice is not specified by the means provided in the instrument of proxy, **it is intended that the shares represented by the instrument of proxy in each such case will be voted in favour of each such matter.**

The enclosed instrument of proxy confers discretionary authority with respect to amendments or variations to matters identified in the Notice of meetings, or other matters that may properly come before the Annual General meeting. The management is not aware that any such amendments, variations or other matters are to be presented for action at such meetings.

By Order of the Board of Directors,

B. W. Hicks,

*Vice-President and Secretary.*

TO THE SHAREHOLDERS:

FRASER COMPANIES, LIMITED AND SUBSIDIARIES

Net income from operations for the six months ended June 30, 1973 amounted to \$2,645,000 or \$1.13 per share compared with a net loss of \$1,218,000 or 52¢ per share during the twenty-four weeks ended June 17, 1972.

Net sales for the first six months of 1973 were \$53,272,000 as compared with \$37,396,000 for the twenty-four weeks ended June 17, 1972.

A dividend of 15¢ per share was paid June 28, 1973 to shareholders of record June 15, 1973.

The pulp, paper and lumber sectors of the forest products industry are experiencing a very favorable demand-supply relationship. This situation has improved operating efficiencies and selling prices even though increases that would result normally from the economic pressures of supply and demand are being restrained by price controls in the United States by the Cost of Living Council.

**CONSOLIDATED STATEMENTS OF INCOME**

	Six Months Ended June 30, 1973	Twenty-Four Weeks Ended June 17, 1972
Net sales .....	\$53,272,000	\$37,396,000
Cost of sales .....	42,816,000	34,427,000
Depreciation and depletion .....	2,928,000	2,806,000
Selling, general and administrative expense .....	2,311,000	2,086,000
	<u>48,055,000</u>	<u>39,319,000</u>
	<u>5,217,000</u>	<u>(1,923,000)</u>
Other income (expense):		
Interest income .....	157,000	59,000
Interest on long term debt .....	(278,000)	(273,000)
Interest on other indebtedness .....	(63,000)	(89,000)
U.S. exchange gain (loss) .....	54,000	58,000
Miscellaneous - net .....	<u>(130,000)</u>	<u>(420,000)</u>
Income (loss) before taxes .....	<u>5,087,000</u>	<u>(2,343,000)</u>
Provision for taxes on income .....	<u>2,442,000</u>	<u>(1,125,000)</u>
Net income (loss) .....	<u>\$ 2,645,000</u>	<u>\$ (1,218,000)</u>
Net income (loss) per share .....	<u>\$ 1.13</u>	<u>\$(.52)</u>

**CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS**

SOURCE		
Net income (loss) .....	\$ 2,645,000	\$ (1,218,000)
Depreciation and depletion .....	2,928,000	2,806,000
Deferred taxes on income .....	2,442,000	(1,125,000)
Cash flow from operations .....	<u>8,015,000</u>	<u>463,000</u>
Payment on account for expropriation of timber limits .....	1,000,000	2,000,000
Received from stock purchase plan .....	23,000	—
	<u>\$ 9,038,000</u>	<u>\$ 2,463,000</u>
APPLICATION		
Net additions and improvements to plants and properties .....	\$ 1,285,000	\$ 859,000
Bonds redeemed .....	810,000	810,000
Dividends .....	351,000	—
Deferred charges .....	209,000	481,000
Working capital increased .....	2,655,000	2,150,000
	<u>6,383,000</u>	<u>313,000</u>
	<u>\$ 9,038,000</u>	<u>\$ 2,463,000</u>

The above figures are subject to audit and year-end adjustments.

C. R. Recor  
President  
Edmundston, N. B.  
July 16, 1973.

JUL 19 1973

## FRASER COMPANIES, LIMITED

General and Executive Offices  
Edmundston, New Brunswick

Edmundston, N.B. — sulphite and groundwood  
pulp mills, sulphite and kraft bleaching  
plants, and paperboard mill  
Atholville, N.B. — bleached sulphite pulp mill  
Plaster Rock, N.B. — lumber mill, dressing  
mill and dry kiln



## FRASER PAPER, LIMITED

(Subsidiary Company)

Madawaska, Maine — paper mills manufac-  
turing high grade papers from chemical  
and groundwood pulps

## FRASER COMPANIES, LIMITED

FOR

SIX MONTHS

ENDED

JUNE 30, 1973

## W. H. MILLER COMPANY, LIMITED

(Subsidiary Company)

Kedgwick, N.B. — lumber mill, dressing  
mill and dry kiln

This report is printed  
on  
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by  
Fraser Paper, Limited



*Fraser Companies, Limited*  
*Edmundston, N.B.*

**To each of the Shareholders of Fraser Companies, Limited**

Dear Sir or Madam:

You will find herewith Notice of a Special General Meeting of the Shareholders of Fraser Companies, Limited to be held at the general office of the Company in the City of Edmundston, in the Province of New Brunswick, Canada, on the 5th day of December, 1973, at the hour of nine o'clock in the forenoon, Atlantic Standard Time, together with a form of Instrument of Proxy, an Information Circular, a copy of Special By-law MM of the By-laws of the Company, and a stamped, self-addressed envelope addressed to the Secretary of the Company.

The principal purpose of the Meeting is to consider and, if deemed fit, to sanction Special By-law MM of the By-laws of the Company.

The terms of the Special By-law are summarized in the Notice and may be read at length in the Special By-law itself.

The reason for the Special By-law will be found stated in the Information Circular, with explanations concerning the relevant provisions of the Income Tax Act of Canada.

Generally speaking, the Company considers it to be desirable to afford to those Shareholders who may be in a position to take advantage of the right and may desire to do so an opportunity to receive so-called tax-deferred dividends which will not be added to their income for the purposes of taxation under the Income Tax Act of Canada. This will be accomplished through the right of convertibility to be attached to the Class "A" Shares and the Class "B" Shares respectively.

When dividends are declared on the Class "B" Shares, it is the intention of the Board of Directors that they be declared out of 1971 capital surplus on hand and individual taxpayers in Canada will not be bound to include the amount of such dividends in the calculation of their income for the purposes of taxation under the Income Tax Act of Canada (hereinafter called the "Act").

Since the Class "A" Shares and the Class "B" Shares will rank equally in all respects, except in the nature (and, were such dividend to be declared out of 1971 tax-paid undistributed surplus on hand, in the amount) of the dividend which may be declared on the shares of each class, when a tax-deferred dividend is declared on the Class "B" Shares out of 1971 capital surplus on hand, a normal dividend in a like amount would be declared on the Class "A" Shares.

If the tax-deferred dividend on the Class "B" Shares were to be declared out of 1971 tax-paid undistributed surplus on hand instead of 1971 capital surplus on hand, the amount of the tax-deferred dividend on the Class "B" Shares would be 15% lower than the normal dividend on the Class "A" Shares, since the Company would have been bound to pay 15% to create an amount of 1971 tax-paid undistributed surplus on hand out of which such tax-deferred dividend on the Class "B" Shares could be paid.

The difference, however, is not expected to arise, since the Company has been advised by its Auditors that it has no 1971 undistributed income on hand available for the creation of 1971 tax-paid undistributed surplus on hand.

The receipt of tax-deferred dividends by a holder of Class "B" Shares will, of course, have tax consequences for such holder, one of them being to reduce the amount of the adjusted cost base of his shares, so that the gain or loss to be realized on the disposal of the shares will be increased in the case of a gain or decreased in the case of a loss. His liability to capital gains tax under the Act upon such disposal will therefore be increased.

Shareholders, in any event, will be in a position to select, through the exercise of the right of conversion, that type of dividend, tax-deferred or normal, which is most advantageous to them having regard in each case to their personal status, their income and the rate of taxation to which they are subject under the Act.

The By-law, besides providing for inter-convertible Class "A" Shares and Class "B" Shares, also provides for an increase in the authorized capital of the Company by the creation of 2,000,000 additional Class "A" Shares. This increase is intended to make such shares available in the Treasury of the Company for any future corporate purposes for which they may be required. There is no present intention to issue such shares.

You are invited to attend the Meeting. If you are unable to do so, would you please complete the accompanying form of Instrument of Proxy and return the same to the Secretary of the Company in time for use at the Meeting.

Sincerely,

H. ROY CRABTREE  
*Chairman*

C. R. RECOR  
*President*

- (c) that each issued and fully paid Class "A" Share may at any time, at the option of the holder, be converted into one (1) Class "B" Share. The conversion privilege for which provision is made herein may be exercised by notice in writing given to a transfer agent of the Company accompanied by the certificate or certificates representing the Class "A" Shares in respect of which the holder thereof desires to exercise such right of conversion and such notice shall be signed by the person registered on the books of the Company as the holder of the Class "A" Shares in respect of which such right is being exercised or by his duly authorized representative and shall specify the number of Class "A" Shares which the holder desires to have converted. The holder shall also pay any governmental or other tax imposed in respect of such conversion. Upon receipt of such notice by such transfer agent, the Company shall issue certificates representing fully paid Class "B" Shares upon the basis above prescribed and in accordance with the provisions hereof to the holder of the Class "A" Shares represented by the certificate or certificates accompanying such notice; if less than all of the Class "A" Shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate representing the Class "A" Shares comprised in the original certificate which are not to be converted;
- (d) each issued and fully paid Class "B" Share may at any time, at the option of the holder, be converted into one (1) Class "A" Share. The conversion privilege for which provision is made herein may be exercised in the same manner as the conversion privilege for which provision is made in the immediately preceding subparagraph (c) hereof and the provisions thereof shall apply mutatis mutandis;
- (e) all shares resulting from any conversion of issued and fully paid Class "A" Shares into Class "B" Shares or any conversion of issued and fully paid Class "B" Shares into Class "A" Shares shall be deemed to be fully paid and non-assessable;
- (f) the conversion of Class "A" Shares or Class "B" Shares shall not constitute a reduction of capital and the shares so converted shall not be cancelled, but shall continue to form part of the authorized capital of the Company and may be reissued;
- (g) none of the Class "A" Shares or the Class "B" Shares shall be subdivided, consolidated, reclassified or otherwise changed unless, contemporaneously therewith, the other class of shares is subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner;
- (h) any amendment to the letters patent or supplementary letters patent of the Company to delete or vary any of the preferences, priorities, rights, conditions, restrictions, limitations or prohibitions attaching to the Class "A" Shares or the Class "B" Shares respectively, or to create special shares ranking in priority to, or pari passu with, the Class "A" Shares or the Class "B" Shares may be authorized by at least two-thirds (2/3) of the votes cast at meetings of the holders of the Class "A" Shares and Class "B" Shares respectively, which may be held concurrently, duly called for that purpose; the formalities to be observed with respect to the giving of notice of any meeting of the holders of the Class "A" Shares and/or of the Class "B" Shares and the conduct thereof and the quorum therefor shall mutatis mutandis be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders;
  - (i) in the event of the liquidation, dissolution or winding up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, all of the property and assets of the Company available for distribution to the holders of the Class "A" Shares and of the Class "B" Shares shall be paid or distributed equally share for share to the holders of the Class "A" Shares and the Class "B" Shares respectively, without preference or distinction;
  - (j) save as hereinbefore stated each Class "A" Share and each Class "B" Share shall have the same rights and attributes and be the same in all respects, and shall entitle the holders thereof to receive notice of and to attend and to vote in respect of each Class "A" Share and of each Class "B" Share held at any and all meetings of the shareholders of the Company other than any meetings of the holders of a particular class of shares of which the Class "A" Shares or the Class "B" Shares, as the case may be, do not form a part; and
  - (k) So long as any of the Class "A" Shares are outstanding the Company shall at all times reserve out of its unissued Class "B" Shares, against the conversion rights conferred on the holders of the Class "A" Shares, a sufficient number of unissued Class "B" Shares to enable all of such Class "A" Shares outstanding to be converted upon the basis and upon the terms and conditions herein provided for. So long as any of the Class "B" Shares are outstanding the Company shall at all times reserve out of its unissued Class "A" Shares, against the conversion rights conferred on the holders of the Class "B" Shares, a sufficient number of unissued Class "A" Shares to enable all of such Class "B" Shares outstanding to be converted upon the basis and upon the terms and conditions herein provided for.

3. THAT, if and when this Special By-law MM shall have been sanctioned by the Shareholders of the Company, each of the Chairman of the Board, the President and any Vice President of the Company be and he is hereby authorized to make application for and on behalf and in the name of the Company for supplementary letters patent confirming this Special By-law MM.
4. THAT the alteration of the authorized capital of the Company for which provision is made in this Special By-law MM shall become effective upon the issue to the Company of supplementary letters patent confirming this Special By-law MM.

## **INFORMATION CIRCULAR** **(dated as of October 29, 1973)**

This Information Circular is furnished in connection with the solicitation of proxies for use at the Special General Meeting of Shareholders of Fraser Companies, Limited (hereinafter called "the Company") to be held at the general office of the Company, in the City of Edmundston, New Brunswick, Canada, on Wednesday the 5th day of December, 1973, and at any adjournment thereof. In the event that you are unable to attend the meeting personally, you are requested to date, complete and sign the accompanying instrument of proxy and to return the same to the Secretary of the Company in time for use at the meeting. A self-addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

### **Right of Revocation**

A shareholder giving an instrument of proxy may revoke the same by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the Head Office of the Company, Plaster Rock, New Brunswick, or the general office of the Company, Edmundston, New Brunswick, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such meeting on the day of the meeting, or adjournment thereof.

### **Solicitation of Proxies**

The enclosed instrument of proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

### **Voting Shares and Principal Holders Thereof**

There are outstanding 2,340,402 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of Common Shares will be entitled to vote at the meeting and at any adjournment thereof if present or represented by proxy thereat.

Genstar Investment Limited (and its affiliates), The Harold Crabtree Foundation and Scotia Investments Limited (and its affiliates) are each holders of equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company. Genstar Investment Limited (and its affiliates) holds 302,305 Common Shares, The Harold Crabtree Foundation holds 290,000 Common Shares and Scotia Investments Limited (and its affiliates) holds 241,500 Common Shares, representing 12.92%, 12.39% and 10.32% respectively of the outstanding Common Shares.

### **Sanction of Special By-law MM**

The principal purpose for which the meeting is called is to consider, and if thought fit, to sanction Special By-law MM, being a By-law providing for the alteration of the capital stock of the Company enacted by the Board of Directors on the 25th day of October, 1973, a copy of which accompanies this Information Circular. The Special By-law provides for the reclassification of the existing three million (3,000,000) shares without nominal or par value of the capital stock of the Company, both issued and unissued, into Class "A" Convertible Common Shares (hereinafter called "Class 'A' Shares"), for an increase in the authorized capital of the Company by the creation of two million (2,000,000) additional Class "A" Shares without nominal or par value and for a further increase in the authorized

capital of the Company by the creation of five million (5,000,000) Class "B" Convertible Common Shares (hereinafter called "Class 'B' Shares") without nominal or par value and sets out the provisions attaching to each class of shares. In order to become effective the Special By-law must be sanctioned by at least two-thirds of the votes cast at the meeting and must be confirmed by supplementary letters patent.

As indicated in the text of Special By-law MM, the shares of each class will be voting, convertible one into the other on a share-for-share basis and rank equally in all other respects subject to special provisions in respect of dividends. The only distinction between the two classes of shares will be that, in the case of the Class "B" Shares, the Directors may in their discretion determine that the cash dividends be paid out of two special accounts which are defined in the Income Tax Act of Canada (hereinafter called the "Act"). These accounts are either "tax paid undistributed surplus on hand" or "1971 capital surplus on hand" and dividends paid out of these accounts are referred to as tax-deferred dividends. If any cash dividend be declared on the Class "B" Shares, the Directors must declare at the same time a normal cash dividend on the Class "A" Shares in an amount equal to the cash dividend declared on the Class "B" Shares, plus, in case such a dividend on the Class "B" Shares is being paid out of tax-paid undistributed surplus on hand, the amount of the tax that was paid to create the tax-paid undistributed surplus applied to the dividend on the Class "B" Shares. That tax is at the rate of 15% so that a dividend out of tax-paid undistributed surplus on hand on a Class "B" Share would be 15% less than the equivalent dividend on a Class "A" Share. This difference would not occur in any case where the cash dividend declared on the Class "B" Shares is being paid out of 1971 capital surplus on hand. The Company is advised by its Auditors that it has no 1971 undistributed income on hand available for the creation of tax-paid undistributed surplus on hand, so that it is anticipated that dividends on the Class "B" Shares would for some time be paid only out of 1971 capital surplus on hand.

## **Income Tax Considerations**

Whether a shareholder will wish to receive a normal dividend or a tax-deferred dividend will depend on both his taxation status and his rate of tax. To permit shareholders to elect to receive the type of dividend, normal or tax-deferred, which is more advantageous to them and to make changes if and when circumstances change, Class "A" Shares are convertible into Class "B" Shares and Class "B" Shares are convertible into Class "A" Shares on a one-for-one basis. Accordingly, holders of Class "A" Shares wishing to receive tax-deferred dividends rather than normal dividends will be able to convert their shares into Class "B" Shares and holders of Class "B" Shares wishing to receive normal dividends rather than tax-deferred dividends will be able to convert their shares into Class "A" Shares.

### **Class "A" Shares — Normal Dividends**

Shareholders who are individuals resident in Canada must include a normal dividend in income. They must also include as income an additional amount equal to one-third of the normal dividend received and will be eligible for a dividend tax credit in respect thereof. Normal dividends received by public corporations in Canada and tax-exempt shareholders, such as pension trusts or trusts under registered retirement savings plans, will not be subject to tax. Normal dividends received by private corporations resident in Canada may be subject to a 33⅓% tax which is generally refundable when dividends are paid by the private corporations subject to certain limitations imposed by the Act. Normal dividends paid to non-resident shareholders will be subject to a withholding tax at the rate of 10% until the beginning of 1976 when it is proposed that the rate of withholding tax for certain non-resident shareholders may be increased to 20% depending on the existence at that time of a tax treaty between Canada and the country in which the shareholder resides.

### **Class "B" Shares — Tax Deferred Dividends**

As already stated the Company has been advised by its Auditors that it has no undistributed income on hand available for the creation of 1971 tax-paid undistributed surplus on hand, so that it is anticipated that any tax-deferred dividends will be paid out of 1971 capital surplus on hand.

The Company is not required to pay any tax on its 1971 capital surplus on hand and accordingly tax-deferred dividends paid out of 1971 capital surplus on hand will be equal to 100% of the normal dividend on Class "A" Shares.

The receipt of such tax-deferred dividends will reduce the adjusted cost base of the shares by the amount of dividend received so that a tax, if any, is deferred generally until the shares are disposed of. The reduction in the cost base will have the effect of increasing the gain or decreasing the loss to be realized on the subsequent disposal of the shares.

The Company presently intends to pay tax-deferred dividends on its Class "B" Shares. Based on the Company's current dividend rate, it will be a number of years before all of the 1971 capital surplus on hand will have been applied in the payment of such tax-deferred dividends.

## **Conversions**

Under a recent amendment to the Act a conversion of Class "A" Shares into Class "B" Shares, or vice-versa, is deemed not to be a disposition for the purposes of computing taxable capital gains or losses and the cost to the taxpayer of the share received upon the conversion is deemed to be the adjusted cost base to him of the share converted immediately prior to such conversion. It should be noted, however, that under the Act the neutral zone for establishing the cost base of shares held prior to 1972 would cease to be available after conversion. Whether or not the elimination of the neutral zone would be disadvantageous to a shareholder would depend on that shareholder's individual circumstances. Conversion may also affect the future computation of 1971 capital surplus on hand or paid-up capital deficiency of corporate shareholders.

## **Increase in Authorized Capital**

The By-law provides for an increase in the authorized capital of the Company:

- (a) by the creation of two million (2,000,000) additional Class "A" Shares; and
- (b) by the creation of five million (5,000,000) Class "B" Shares.

The creation of the five million (5,000,000) Class "B" Shares is to make adequate provision for the interconvertibility of the two classes of shares.

The creation of the additional two million (2,000,000) Class "A" Shares is to provide shares in the Treasury of the Company to be available from time to time for issue as required in the interests of the Company. There is no immediate intention to issue any of such shares.

## **Designation of Proxy**

The persons named in the enclosed Instrument of Proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should insert the name of his representative in the space provided for such purpose.** A person acting as proxy need not be a shareholder of the Company.

## **Voting of Shares Represented by Management Proxy**

The accompanying Instrument of Proxy confers discretionary voting authority upon the management nominees designated therein, except to the extent that any shareholder executing the same may indicate thereon whether or not the votes attaching to the shares in respect of which such Instrument of Proxy is given are to be voted for or against the sanctioning of Special By-law MM. If, however, no such indication be given, it is the intention of the management nominees designated therein to cast such votes in favour of a motion to sanction Special By-law MM and otherwise in accordance with their best judgment.

By order of the Board of Directors.

B. W. HICKS,  
*Vice-President and Secretary*

